Chapter 3.—Salaries and Allowances : General Rules.

Due Date 26
Death of Payee 27
Last-pay Certificates 29
Bond of Indemnity for Leave Allowances 30
Fund Deductions 31
Income Tax Deductions 32
Exchange Compensation Allowance 41
Officers to whom Exchange Compensation Allowance is payable *41A*
Officers to whom Exchange Compensation Allowance is not admissible *41F*
Exchange Compensation Allowance—*contd.*
Exchange Compensation Allowance to Officers on Foreign Service *41G*
Allowances on which Exchange Compensation is admissible . *41H*
Amount admissible . . . *41J*
How Calculated, Drawn and Charged *41K*
Miscellaneous Points . . . *41L*

vide slip

Due Date.

26. Salary bills may be signed at any time on the last working day of the month by the labour of which the salary is earned, and are due for payment on the next working day. In the following cases only may the salary due to date be paid before the end of the month, *viz.*:— ~~vide slip~~

(*a*) when an officer proceeds out of India on deputation or on leave (other than privilege leave) and is paid up to the date of embarkation;

NOTE.—The salary of an officer proceeding on combined leave out of India with a last-pay certificate entitling him to draw his privilege leave allowances from the Home Treasury, may be paid up to the date of his making over charge.

(*b*) when an officer is transferred from the Civil Department to the Military, Public Works, Marine, or Postal Department, or is transferred in the Civil Department to another Audit Circle;

(*c*) when an officer finally quits the service of Government or is transferred to foreign service.

1. If the first six days of a month are public holidays on which salaries are not disbursed at the treasury, the Local Government may, if it thinks fit, direct the payment of salary bills except those of gazetted officers on the last open day before the said holidays.

2. The last payment of salary should not be made to a gazetted officer or to an officer referred to in Article 43, whose pay is drawn on salary bill forms, finally quitting the service of Government or placed under suspension, until the Treasury Officer has satisfied himself, by reference both to the Accountant General and to his own records, that there are no demands outstanding against him. In other cases payment may be made without reference to the Accountant General on the responsibility of the head of the office concerned.

3. In the case of officers and establishments accompanying Governments to hill stations, salary bills drawn at the hill station for payment at the provincial capital, or *vice versâ*, may be signed one, two or three days before the end of the month, though they will not be due for payment before the first working day of the next month.

4. When combined leave is granted, privilege leave allowances for the broken period at the end of the leave may be drawn at any time after the expiration of the privilege leave.

5. In case of transfers to and from service in Persia, salary will be paid up to the date when the transfer takes place, whether the officer changes his circle of audit or not.

Page 12, Article 26(b)—

For "Postal Department" *substitute* "Postal and Telegraph Department."

[*18th List—2-7-17.*]

Page 12, Article 26—

Substitute the following for this Article retaining the Rules under it :—

"Salary and establishment bills may be signed at any time on the last working day of the month by the labour of which the salary is earned, and are due for payment the next working day. But salary and establishment bills payable at Provincial Headquarters, which require to be pre-audited, and those payable at District Treasuries may be signed and presented for payment three and two days respectively before the last working day of the month to which they relate. Payment of such bills, however, should not be made before the first working day of the next month. In the following cases separate bills must be presented in India for salary due for part of a month, and these bills may be paid before the end of the month, *viz.*—

(*a*) When an officer proceeds out of India on deputation or on leave other than privilege leave taken by itself.

NOTE :—If the officer is proceeding on combined leave with a Last-Pay Certificate entitling him to draw his privilege leave allowances from the Home Treasury he must draw in India salary and allowances due to the date of making over charge ; in other cases he will draw in India those due to the date of embarkation.

(*b*) When an officer is transferred from the Civil Department to the Military, Public Works, Marine, or Postal Department, or is transferred in the Civil Department to another Audit Circle.

(*c*) When an officer finally quits the service of Government or is transferred to Foreign Service.

[*10th list—1-10-15.*]

Article 26 (*a*), page 12—

Substitute the following for this article and the note thereunder:—

"(*a*) when an officer proceeds out of India on deputation or on leave other than privilege leave taken by itself;

NOTE.—If the officer is proceeding on combined leave with a last-pay certificate entitling him to draw his privilege leave allowances from the Home Treasury he must draw in India salary and allowances due to the date of making over charge; in other cases he will draw in India those due to the date of embarkation."

Page 12, Article 26—

Add the following after t

"Salary and Establish
which require to be pre-a
payment at the Audit of
month to which they relate
the following month, or wi

Article 26, page 12—

For " In the following cases onl
4 substitute, " In the following c
presented in India for salary due fo
be paid before the end of the mon

Page 13, Article 28 (*a*)—

Change the full-stop at the end of this clause into a co
insert the following words " which should be furnished with
sary particulars by the officer who has been disbursing the pensi
report should be submitted in Form 40B."

Cancel clause (*b*) *of Article 28, Civil Account Code, and*
" (*a*) " *from the 1st clause.*

Death of Payee.

27. (*a*) Salary, allowances or pension can be drawn for the day of a man's death; the hour at which death takes place has no effect on the claim.

(*b*) Salary and other allowances claimed on behalf of a deceased officer may be paid without the production of the usual legal authority (1) to the extent of Rs. 500 under orders of the Collector or other officer responsible for the payment after such enquiry into the rights and title of the claimants as may be deemed sufficient; (2) for the excess over Rs. 500 under the orders of the Local Government on execution of an indemnity bond, with such sureties as it may require, if it is satisfied of the right and title of the claimant and considers that undue delay and hardship would be caused by insisting on the production of letters of administration.

In any case of doubt payment should be made only to the person producing legal authority.

Any person claiming as the heir of a deceased pensioner should be required to produce the pensioner's half of the Pension Payment Order, or if no Pension Payment Order has been issued the copy of the order in which sanction to the pension was communicated to the pensioner or his heir.

(*c*) The rules regarding payment of pensions of deceased pensioners are contained in the Civil Service Regulations, Articles 959—961.

NOTE.—Note 2 under Article 26, regarding last payments of salary, applies here also.

28. (*a*) The death of every European Officer of Government, other than an Officer of the Indian Civil Service or the Army or Navy, must be immediately reported by the head of his office to the Government under which he was serving, which will announce the circumstance to the Secretary of State. The death of such pensioners should similarly be reported, but by the Account Office.

(*b*) The following particulars should be given: name and probable age of the deceased; date and place of death; occupation at the time of death; native village and country of the deceased, if known; particulars of family, as far as known; if any relative in the country; if any property left, in whose custody; remarks. The particulars in the case of European pensioners should be communicated to the Account Office by the Officer who has been disbursing the pension.

Last-pay Certificates.

29. Forms of last-pay certificates, to be granted in certain circumstances by the Treasury Officer, are set forth in the Civil Service Regulations, Appendix No. 3. A Treasury Officer must be careful not to pay salary to an officer to whom he has granted a last-pay certificate, unless the certificate is first surrendered.

1. The form of last-pay certificate prescribed provides for detail of the fund deductions although the officer preparing the bills is responsible for their correctness; but the Treasury Officer is responsible not only for entering in the certificate all demands against the departing officer, including any made under an order of attachment of his salary by a Court of law, of which he may have received notice before granting the certificate.

but for passing on any, of which he may afterwards receive notice, to the treasury from which the officer will in future draw pay.

2. In all cases of transfer from one district to another within the same Audit Circle, the last-pay certificate should specify the last regular or monthly payment; and the entire salary for the month in which transfer has been made should be paid in the new district except as provided in Article 26 (*b*).

Bond of Indemnity for drawing Leave Allowances, etc.

30. (*a*) Officers often make arrangements with their agents to draw their leave or vacation allowances, pensions, etc., either granting them powers-of-attorney to enable them to do so, or leaving their bills ready signed in the agent's custody for presentation, the agents in their turn giving Government a bond of indemnity as security against any loss in case of over-payment (Civil Service Regulations, Article 864).

NOTE.—A Register of Powers-of-Attorney will be kept by the Treasury Officer in the form prescribed in Article 215.

(*b*) The bond of indemnity, which must be stamped, may be of the following form in the case of a $\frac{\text{firm}}{\text{bank}}$:—

In consideration of $\frac{\text{our}}{\text{their}}$ being permitted to draw the salary of.....
during his absence from the Presidency, $\frac{\text{we}}{\text{the (here insert the name of bank)}}$ do hereby engage to refund to Government, on demand, any over-payment that may be made to $\frac{\text{us}}{\text{them}}$ as his $\frac{\text{agents}}{\text{agent}}$.

(*c*) It must of course be seen that the person signing the bond of indemnity has authority to bind the firm or bank.

(*d*) It is not necessary, however, for a separate bond to be entered into in the case of each individual officer. Agents of standing and respectability may, for this purpose, be allowed to enter into a general agreement in the form given in Appendix A.

NOTE.—The form of the bond requires advice to be sent to the Account Officer of any change in the constitution of a firm to which the bond refers. When such advice is received, a recognition of the existing agreements that have been entered into previous to the change in the partnership should be obtained either by calling for fresh agreements to be executed by the new partnership, or by obtaining an acknowledgment from the new partnership that they are bound by the existing agreements of the old partnership or otherwise.

(*e*) Agents of standing and respectability are also allowed to execute a single bond to cover the leave allowances, pensions, etc., of their constituents, payable not by any one Account Officer only, but by all Account Officers, whether Civil or Military. Arrangements for the execution of such a bond must be made through the Comptroller General.

Fund Deductions.

31. The duty of noting the proper deductions to be made from pay bills on account of funds devolves on the drawers of the bills, but no discretion is allowed in carrying out an order received from the Accountant General or a Fund Examiner to make any particular deduction.

NOTE.—The Treasury Officer must, however, check the deductions in the case of the Annuity Fund and the Indian Civil and Indian Military Service Family Pension Regulations.

Article 32 (*a*), page 15—

Substitute the following for Article 32 (a), insert new clause (b), and renumber existing clause (b) as clause (c):—

(*a*) All salaries, annuities, pensions, bonuses and gratuities paid in British India to or on behalf of any person residing in British India or serving on board a ship plying to or from British Indian ports, whether on account of himself or another person, are liable to Income Tax.

NOTE 1.—The salaries of employés of the Government of India serving in places beyond the geographical limits of India where the Income Tax Act, 1886, is not in force are not liable to the tax.

ote 1 as introduced by the 1st List of e Reprint :—

British Establishments in Native States, if paid are exempt from Income Tax in respect of the though the payments may be made in the first

Page 15, Article 32 (b).—

Substitute the following for Note 3 as introduced by the 15th List of Corrections, dated the 1st November 1916 :—

NOTE 3.—The salary and allowances for the period of deputation of any probationer belonging to the Hyderabad Civil Service Class deputed by His Highness the Nizam's Government, or of any person deputed by Native States in Central India, for training in British India, are exempt from income-tax.

[*19th List—1-10-17.*]

Page 15, Article 32 (a).—

Add the following at the end of Note 2 under this Article as introduced by the 3rd List of Corrections, dated the 30th September 1913 :—

Gratuities which are granted to officers and others in respect of wounds or injuries, received either in action or in the performance of military duty otherwise than in action, and to the widows and children of officers and others who are killed in action or die of wounds received in action are also exempt from income-tax.

[*19th List—1-10-17.*]

Page 15, Article 32(a), Note 1, as amended by the 1st List of Corrections, dated the 10th March 1913—

Add the following to this Note :—

"This exemption does not apply to such portions of the salaries as are paid in British India."

[*18th List—2-7-17.*]

Page 15—Article 33.

Add the following as an exception to Note 1 :—

Exception.—The tentage allowance included in the pay and Indian allowances, as also the horse allowance included in the consolidated or staff pay, of an officer in military employ are salary for purposes of income-tax, unless in the former case, the officer has provided and has in his possession the camp equipage of his rank in a serviceable condition, and in the latter case, has provided and actually maintains the number of *bonâ fide* chargers prescribed for his rank. [But see Article 41-L (*d*)].

15th list—1-11-16.

Page 15—Article 32 (b).

Insert the following as Note 3 under this Article :—

NOTE 3.—The salary and allowances for the period of deputation of any probationer belonging to the Hyderabad Civil Service Class deputed by His Highness the Nizam's Government for training in British India are exempt from income-tax.

15th list—1-11-16.

Page 15, Article 32(*a*)—

Insert the following note, numbering it as note 2, under Article 32(a) as introduced by the 1st list of corrections :—

NOTE 2.—A capital sum paid in commutation of the whole or a portion of a pension, a gratuity granted to a widow as compensation for the death of her husband who is killed while in the execution of his duty, and compassionate gratuities granted to the families of deserving Government servants left in indigent circumstances are exempt from Income Tax.

For the rule under this Article *substitute* the following :—

I.—Interest on securities is exempt—

(1) if the securities are held by, or are the property of, a Service Fund or a Friendly Society, as defined in Clause (8) of Financial Department Notification No. 2180-S. R., dated the 23rd April 1901, as amended by Notification No. 2503-Ex., dated the 25th April 1907 ; or

(2) if the interest forms part of the income of a University or other association or body existing solely for educational purposes, or of a local authority, such as a Municipal Committee, District Board, or Port Trust, provided that the exemption shall not extend to interest payable in respect of any period (the period running to date of payment of interest from last date of payment thereof) during which a transfer of the security has been effected.

Page 15, Article 33—

Enter the following as item 6 and renumber prese
and 7 as 7 and 8—

"6. The annual rental value of rent-free quarters."

Income Tax Deductions.

32. (*a*) All salaries, annuities, pensions, bonuses, and gratuities falling due on and after the 1st April 1886 are liable to Income Tax.

1. The salaries of officers serving outside of British India whose services have been lent to, and whose salaries are paid by, Native States even though they may be paid in the first place by the Government of India, are not liable to Income Tax.

2. A capital sum paid in commutation of the whole or a portion of a pension and compassionate gratuities granted to the families of deserving Government servants left in indigent circumstances are exempt from Income Tax.

(*b*) The tax is also leviable upon interest on Government securities, excluding Stock Notes and the non-transferable form of Promissory Notes held by Chiefs, falling due on or after the 1st April 1886.

1. Interest on securities is exempt if the securities are held by or are the property of—

(1) a Service Fund or a Friendly Society, as defined in clause (8) of Financial Department Notification No. 2180-S.R., dated 23rd April 1901, as amended by Notification No. 2503-Ex., dated 25th April 1907.

(2) a University or other Association or body existing solely for educational purposes;

(3) a local authority, such as a Municipal Committee, District Board or Port Trust, provided that the exemption shall not extend to interest payable in respect of any period (the period running to date of payment of interest from last date of payment thereof) during which a transfer of the security has been effected.

33. For Income Tax purposes, salary includes allowances, fees, commission, and perquisites or profits received, in lieu of or in addition to a fixed salary, in respect of an office or employment of profit. It does not include the following:—

1. Travelling allowance.
2. Tentage ,,*
3. Horse ,,*
4. Sumptuary ,,
5. Any allowance granted to meet specific expenditure, such as house-rent, compensation for dearness of provisions.
6. Scholarships, if granted to meet the cost of education.
7. School prizes.

NOTE 1.—Local and Exchange Compensation Allowances are subject to the tax, and no part of a consolidated pay is exempt.

NOTE 2.—Rewards for passing examinations are taxable under Part IV of Schedule II of Act II of 1886 as income, and not as salary under Part I of the Schedule. An Account Officer auditing the payment of any such reward should inform the Collector of the fact of payment in order that Income Tax may be levied on it.

NOTE 3.—Fees or honoraria paid by Government to Examiners for conducting examinations are not taxable as salary or gratuity under Part I of Schedule II of Act II of 1886, unless it is actually part of the officer's recognized duty to conduct such examinations. If it is not part of his duty, and if he is simply invited to do certain work which might equally well be done by a non-official on similar invitation, the fee which he receives is "income", not "salary", and the disbursing officer is not concerned with the recovery of Income Tax on the amount. An Account Officer auditing the payment of any such fees or honoraria should, however, inform the Collector of the fact of payment in order that Income Tax may be levied on it.

34. (*a*) The tax is leviable upon the gross salary, subject, however, to deduction of such portion of the salary as—

(1) is deducted under the authority or with the permission of Government for the purpose of securing a deferred annuity for the officer himself, or a provision for his wife or children after his death;

* See Article 41L (*d*).

(2) is paid by the officer to an Insurance Company, Service Fund, Mutual Benefit Fund, Friendly Society, or other legally established Association in respect of an insurance or deferred annuity on his own life or on the life of his wife, but not on the life of his child;

(3) is paid into any Provident Fund established under the authority or with the permission of Government, and is not repayable to the officer at his option so long as he remains in the service;

NOTE.—Refunds under rule VII of the Civil Engineers' Provident Fund of amounts temporarily withdrawn under rule VI are not exempt from Income Tax. The same principle applies to other Provident Funds.

(4) is compulsorily stopped from salary by the orders or with the approval of Government for payments to Regimental Mess or Band Funds or the like;

(5) is deducted as fine inflicted by the head of an office or department or by Government.

NOTE.—A portion of salary withheld under an order of a Court is not a sum compulsorily stopped from salary within the meaning of this clause.

Provided that—

(*i*) the total amounts deducted under (1), (2), and (3) do not exceed one-sixth of the salary for the financial year;

NOTE.—The amount of premium paid to an Insurance Company in any year, for which a refund of Income Tax is claimed in a subsequent year, should not be included in the limit of one-sixth salary for the next year.

(*ii*) the claim to exemption on account of premium paid to an Insurance Company, etc., is made within six months from the last day of the financial year during which the premium was paid.

(*b*) The above deductions, with the exception of those under (5), are not taken into account in determining whether the income is liable to the tax or in determining the rate at which the tax shall be levied.

1. Interest paid under rule 11 of the I. M. S. F. P. Regulations and rule 9 of the I. C. S. F. P. Regulations is exempt from Income Tax : but interest paid under rules 13 and 16 of the former and under rules 12 and 15 of the latter is not exempt from the tax.

2. If a life insurance premium is payable in sterling, the amount to be deducted from the gross salary, etc., is the actual cost of remittance as stated by the assessee, or if the assessee is unable to state such actual cost the equivalent in rupees of the sterling payment calculated at the official rate of exchange for the year in which the deduction is made.

3. Premium paid by an officer while on leave or deputation out of India, whose allowances are disbursed from the Home or a Colonial Treasury, cannot be taken into account for the purpose of allowing an abatement of Income Tax.

Exception.—Insurance premia and subscriptions to recognised Provident and Service Funds so far as paid in India by an officer on leave or deputation out of India, whose allowances are disbursed from the Home or Colonial Treasury, are exempted from Income Tax to the extent of one-sixth of the salary actually drawn by the officer in India during the financial year, in which the premia, etc., are paid.

4. The amount of premium paid to a Life Insurance Company should be deducted in one sum from the salary bill to which the receipt for the premium is attached, before the calculation for the Income Tax is made.

5. Income Tax is not to be deducted from advances of pay made under Article 137, clauses (*a*) and (*b*), of this Code, and under Article 64 of the Civil Service Regulations, the

Page 17—Article 36.

Substitute the following for this Article :—

36. Income-tax is recovered from salary annuity or pension drawn in a month at the following rates :—

(*a*) Four pies in the rupee if the salary annuity or pension amounts to Rs. 1,000 per annum, or Rs. 83-5-4 per mensem, but is less than Rs. 2,000 per annum or Rs. 166-10-8 per mensem.

(*b*) Five pies in the rupee if it amounts to Rs. 2,000 per annum or Rs. 166-10-8 per mensem, but is less than Rs. 5,000 per annum or Rs. 416-10-8 per mensem.

(*c*) Six pies in the rupee if it amounts to Rs. 5,000 per annum or Rs. 416-10-8 per mensem, but is less than Rs. 10,000 per annum or Rs. 833-5-4 per mensem.

(*d*) Nine pies in the rupee if it amounts to Rs. 10,000 per annum or Rs. 833-5-4 per mensem, but is less than Rs. 25,000 per annum or Rs. 2,083-5-4 per mensem.

(*e*) One anna in the rupee if it amounts to Rs. 25,000 per annum or Rs. 2,083-5-4 per mensem or upwards.

The amount due on a fraction of a rupee should be neglected. Thus the tax to be realised on a monthly salary of Rs. 166-10-8 is Rs. 4-5-2 only.

deductions being made from the gross amount of the salary bills from which the advances are recovered by instalments.

6. Advances made to officers proceeding on leave or duty out of British India are liable to Income Tax, which should be deducted in each case when the advance is made.

7. When advances of pay or leave allowance for a period extending beyond the date of the officer's return to India are made in England, Income Tax should be charged on the full amount of salary from the date of return to India without abatement for advance.

35. (*a*) A deduction made from the amount of salary, pension, or annuity liable to assessment, on account of payment made to a Life Insurance Company or to a Family Pension Fund (if the payment is made otherwise than by deduction from salary) must be supported either—

(1) by the original receipt of the Insurance Company; or

(2) (in the case of a deduction claimed by servant of the Government or of a local authority) by a copy of the same, presented along with the original to the officer who pays the salary, and attested by that officer, who should, after such attestation, return the original with a note endorsed upon it that it has been produced and allowed for, the copy being attached to the bill sent with the list of payments; or

(3) by a duplicate receipt or certificates of payment given by the Insurance Company, provided a certificate is given that the original receipt is lost or is not forthcoming.

(*b*) In cases (1) and (3) the receipt or certificate should be forwarded with the bill to the Account Office, whence it will be returned, if desired, as soon as the fact of payment is admitted in due course of audit.

(*c*) Where the Collector is satisfied that none of the above prescribed documents can be produced without an amount of delay, expense or inconvenience which, under the circumstances of the case, would be unreasonable, he may accept such other proof of payment of the premium as he may deem sufficient. He must, however, in all cases receive and adjudicate the claims to the remissions in sufficient time to prevent the payment of bills being postponed pending the adjudication.

36. If the salary, annuity, or pension amounts to ₹166-10-8 per mensem, the amount recoverable is five pies in the rupee, or, if less than the above, but not less than ₹83-5-4 per mensem, the rate is four pies in the rupee. The amount due on a fraction of a rupee should be neglected. Thus the tax to be realized on a monthly salary of ₹166-10-8 is ₹4-5-2 only. The tax is calculated in accordance with the Table printed as Appendix B.

36A. The tax is not leviable on the salary of any officer, warrant officer, non-commissioned officer or private of His Majesty's Forces or of His Majesty's Indian Forces, who is not in an employment which, according to the ordinary practice, may be held indifferently by military persons and civilians and whose salary does not exceed five hundred rupees per mensem.

NOTE 1.—The salary of officers of the class mentioned in this article who may be deputed on Famine or Plague duty under the Civil Department is also exempt from Income Tax if the salary drawn during the deputation does not exceed ₹500 a month.

NOTE 2.—In the case of Military Hospital Assistants lent for Civil duty, no Income Tax should be levied if the emoluments drawn in the Civil Department are no higher than those the Hospital Assistants were drawing when in Military employ. In cases in which higher allowances are drawn in Civil employ, Income Tax should be recovered.

NOTE 3.—Civil Surgeons are not exempted under this article.

37. (*a*) If the salary drawn in any month is less than ₹83-5-4, deduction need not be made on account of the tax on the ground that the salary of other months has been or will be such as to bring the salary of the year up to ₹1,000. The tax on salary should be deducted with reference to the salary of each month separately.

(*b*) Income Tax deducted from the salary of an officer whose total income during the year is found to be less than ₹1,000 may be refunded after the close of the year, but the refund should be made by the officer through whom the tax was originally collected on the certificate of the Collector to the effect that the total income of the officer for the year did not amount to ₹1,000.

(*c*) An officer whose monthly salary was ₹166-10-8 or more, but whose total salary during the year amounted to less than ₹2,000, may be allowed a refund of the extra one pie per rupee which was deducted from his salary during the period when it amounted to ₹166-10-8 or more.

38. The tax should be levied on a gratuity with reference to the total of the gratuity and salary drawn by the gratuitant in the year of payment,—*i.e.*, the gratuity should be exempt, taxable at four pies, or taxable at five pies in the rupee, according as the above total is less than ₹1,000, ₹1,000 or more, but less than ₹2,000, or ₹2,000 or more, respectively. This rule, however, will not modify the previous application of Article 36 above to any salary already drawn during the year.

39. The head of an office should not question the recipient as to his other income. He should deduct the tax solely with reference to the month's salary or the total of salary and gratuity paid during the year, as the case may be, unless the Collector brings to his notice that the recipient has other income.

40. (*a*) In the case of interest on Government securities the rate is five pies in the rupee, unless the holder produces a certificate from the Collector that his annual income from all sources is less than ₹1,000, or that the interest is employed solely for religious or public charitable purposes, when no deduction should be made, or unless he produces a certificate that his income from all sources is less than ₹2,000, in which case the rate is four pies.

(*b*) When any exemption is allowed, or a lower rate is levied, the Treasury Officer should record on the payee's receipt that the prescribed certificate has been produced, and note the fact in the column "Deduction of Income Tax," in the Register of Payments (Form No. 24).

40A. All claims for the refund of Income Tax paid under Parts I and III of the Second Schedule of Act II of 1886 may be received and examined, if preferred within six years from the date of realization of the tax.

Page 18, Article 40A—*

Cancel this Article.

[*17th List—1-4-17.*]

Page 18, Article 40 (a)—

Substitute the following for this Article :—

In the case of interest on Government Securities falling due on or after the 1st April 1916 and payable in British India, the rate is one anna in the rupee, unless the holder produces a certificate from the Collector that the interest is employed solely for religious or public charitable purposes, when no deduction should be made, or that his annual income from all sources in the income-tax year last preceding that in which the interest is paid was less than any one, as the case may be, of the amounts tabulated below, in which case he shall be entitled to a refund, calculated on any such interest, at the rates specified against each such amount, namely—

Amount.	Refund.
1. Less than ₹1,000	One anna in the rupee.
2. ₹1,000 or upwards but less than ₹2,000	Eight pies in the rupee.
3. ₹2,000 or upwards but less than ₹5,000	Seven pies in the rupee.
4. ₹5,000 or upwards but less than ₹10,000	Six pies in the rupee.
5. ₹10,000 or upwards but less than ₹25,000.	Three pies in the rupee.

NOTE.—This rule also applies in the case of Government Securities whereon interest is payable out of British India by draft on any place in British India.

Page 18, Article 36-A—

Add the following as Note 4 to this Article :—

NOTE 4.—(*a*) An officer in military employ, in determining the amount of his salary for the purpose of assessment to income-tax, may, in the following cases only, exclude the horse allowance and tentage included in the consolidated salary, pay, or Indian pay of certain appointments under paragraphs 262, 263, 373 and 445 of the Army Regulations, India, Volume I :—

(i) If his salary, after such deduction is made, does not exceed Rs. 500 per mensem.

(ii) If, on the occasion on which he first draws in British India a salary exceeding Rs. 500 per mensem after deduction of horse allowance and tentage, he exercises the option of excluding these allowances. This option may be exercised if claimed within three months after the 27th September 1916, or on the occasion on which the officer concerned next draws pay in British India, by (*a*) officers who attained a pay exceeding Rs. 500 exclusive of horse allowance and tentage after the 1st April 1916 but before the 27th September 1916, and (*b*) officers who attained a pay exceeding Rs. 500 exclusive of horse allowance and tentage before the 1st April 1916 and who on the last occasion on which they drew pay in British India before that date exercised the option, under any rule or order previously in force, of excluding these allowances.

(*b*) An officer may at any time elect to include these allowances in his salary for the purpose of income tax assessment ; but should he do so, he may not subsequently, on change of emoluments or for any other reason, alter his decision.

(*c*) The privilege of excluding tentage and horse allowance under rule (*a*) is subject to the condition that the officer concerned has provided, and actually maintains, the camp equipage of his rank in a serviceable condition, and the number of *bonâfide* chargers prescribed for his rank.

(*d*) It shall not be open to any officer whose consolidated salary, pay, or Indian pay includes both horse allowance and tentage to exclude for the purpose of these rules horse allowance alone or tentage alone.

[*17th List—1-4-17.*]

Page 18, Article 37 (c)—

Substitute 'income' for 'salary' in line
Add at the end:—

"In this case also the refund is to be made t
through whom the tax was originally collected, and t
Collector"

Page 18—Article 37.

Substitute the following for this Article :—

37. (*a*) If the salary drawn in any month is less than Rs. 83-5-4, deduction need not be made on account of the tax on the ground that the salary of other months has been or will be such as to bring the salary of the year up to Rs. 1,000. The tax on salary should be deducted with reference to the actual salary drawn in any one month even though that amount may include salary for more than one month.

Article 37 (*a*), *page 18* (as modified by the
tions)—

Add in continuation :—

"Following the same principle, Income tax sh
of 4 pies in the rupee in all cases in which it is cle
annual income will not amount to Rs. 2,000 or m

is clause :—

, be made in those cases in which
ne will be below the taxable mini-
non of arrears relating to previous
ticular month exceeds the monthly

Page 18, Article 39—

Add the following as note to this article:—

NOTE.—Whenever one department of Government or a Local Fund pays an allowar to an officer, whose pay is audited in a different account office, the authority responsil for the grant of the allowance should ascertain from the audit officer of the payee wheth the allowance is subject to income-tax, if there be any doubt on the matter, and if it so subject, must deduct the income-tax when paying the allowance.

(*b*) Though the tax is calculated with reference to the salary drawn in each month, the officer is entitled to a refund if it is eventually found that the tax due on the total income for the year is less than the amounts deducted during the several months. The deduction should not be made in those cases in which it is clear that the total annual income will be below the taxable minimum, although owing to the inclusion of arrears relating to previous months, the amount drawn in a particular month exceeds the monthly limit of Rs. 83-5-4. Similarly, income-tax should be deducted at the rate of four pies, five pies, six pies, or nine pies in the rupee in all cases in which it is clearly known that the total annual income will not amount to Rs. 2,000, Rs. 5,000, Rs. 10,000, or Rs. 25,000 respectively.

(*c*) When a refund is claimed at the end of the year on the ground that the tax due on the annual income is less than the amounts recovered during the year, the refund should be made through the officer through whom the tax was originally collected, and on a certificate from the Collector that the annual income with reference to which the tax is proposed to be re-assessed is correct.

Page 18—Article 38.

Substitute the following for this Article :—

38. The tax should be levied on a gratuity with reference to the total of the gratuity and salary drawn by the gratuitant in the year of payment. For example, if the total of the gratuity and the salary drawn during the year by an officer is more than Rs. 1,000 but less than Rs. 2,000, the tax on the gratuity should be levied at four pies in the rupee. This rule, however, will not modify the previous application of Article 36 above to any salary already drawn during the year.

Exchange Compensation Allowance.

41. This allowance is granted in accordance with the rules contained in Appendix BB. It is a provisional addition to salary, calculated on the difference between the gold value of half-salary at the market rate of exchange, and its value at a privileged rate, which for the present is fixed at 1*s.* 6*d.* per rupee, subject to the condition that it shall in no case exceed in any quarter the amount of rupees by which £250 converted at the privileged rate shall fall short of the equivalent of £250 converted at the market rate.

Officers to whom Exchange Compensation Allowance is payable.

41A. The allowance is payable only to Europeans. Eurasians who are not statutory natives of India are to be reckoned as Europeans, and, for the purposes of the rules, Europe includes the English-speaking colonies. As regards officers appointed in England no person appointed after the 6th June 1907 under a written contract shall be entitled to Exchange Compensation Allowance unless he is explicitly admitted thereto under the terms of the contract or unless the appointment which he holds gives him a claim to the allowance under any general rule or decision of the Government of India, a list of which appointments is given in Appendix BB.[1] As regards appointments in India, the claim depends on two factors which may be described as *Personal* and *Official* eligibility. The former is secured by being outside the class "Native of India" as defined in Statute 33 Vict., Cap. 3, Section 6, to which an important privilege of appointment in India to offices carrying a salary of ₹200 and over, save in certain excepted departments, is secured by Standing Orders of the Government of India. Full instructions are contained in Government of India, Financial Department, Nos. 2418-Ex., dated 26th May 1899, and 3457, dated 31st July 1899. As regards official eligibility, the concession is limited to those offices in which European qualifications are held to be indispensable or to services and departments in which a proportion of Europeans is held to be indispensable, and is also subject to the further condition that the rates of pay in such appointments, services or departments have not been fixed or revised on the understanding that Exchange Compensation Allowance will not be drawn. The allowance is admissible only to officers who are appointed as Europeans, and in the case of the services and departments alluded to, only to those officers who are appointed for the purpose of maintaining the requisite proportion of Europeans. The Government of India alone can determine which are the offices, services and departments in which European qualifications or a proportion of Europeans are deemed to be indispensable. The question whether any officer is appointed because he is a European, and for the purpose of maintaining the proportion of Europeans is one for the decision of the Government by or under which the appointment is made.

NOTE.—A son of a Native of India by an English mother is ineligible for the allowance.

41B. Further orders of the Government of India have been issued in Financial Department Resolution No. 4847-Ex., dated 5th November

1898, as amended by Government of India, Finance Department, letter No. 6944-F.E., dated 18th November 1911, and in resolution No. 2556-Ex., dated 5th June 1899, describing the appointments by virtue of which an officer *appointed in India* becomes entitled to Exchange Compensation Allowance if not otherwise disentitled to it. These orders do not therefore render a person apointed in India eligible for the allowance, if he is a native of India, within the definition of that term in Statute 33 Vict., Cap. 3, Section 6.

41C. Cancelled.

41D. The orders issued by the Government of India on the subject of Exchange Compensation Allowance apply *proprio vigore* only to officers paid from general revenues. Their application to officers serving under Local Boards and Municipalities is a matter to be settled by Local Governments so far as these have legal and financial power to enhance the salaries of such officers. To this extent Local Governments may sanction any increase in the salaries of Local Board or Municipal servants by way of Exchange Compensation, provided that the concession so made in no case exceeds what such officer would have been eligible for by way of Exchange Compensation Allowance had he been serving under Government.

41E. As regards officers appointed in India on or after the 1st April 1897, a certificate of eligibility for Exchange Compensation Allowance will be granted on appointment by the Government by or under which the appointment is made. The certificate will set forth the grounds upon which the officer to whom it is granted is deemed to belong to the class of public servants who supply the indispensable European element in the administrative body of Indian officials. In the case of officers appointed in India before the 1st of April 1897, such a certificate on appointment is not required, but the orders of the Government under which they are now serving should be obtained as to their eligibility to receive the allowance. Only such officers as have obtained such certificates or orders can be given the full benefit of Exchange Compensation Allowance.

NOTE 1.—Officers to whom Exchange Compensation would not be admissible under these rules, but who have been admitted to it under the rules previously in force, will continue to draw it to the extent of the salaries they were drawing on the 1st of April 1897; but any increase in their salary after that date will be taken in reduction and ultimately in extinction of their claim to the allowance.

NOTE 2.—An officer without a substantive appointment acting in Government service is not debarred from Exchange Compensation Allowance merely by reason of his holding only an officiating appointment.

NOTE 3.—Except to the extent allowed in Note 1 above no officer can draw Exchange Compensation Allowance when holding an appointment which does not carry the allowance, whether he holds it substantively or as an officiating incumbent.

Explanation.—An officer, otherwise eligible, is not debarred from drawing Exchange Compensation Allowance while acting in an appointment which carries the allowance.

Officers to whom Exchange Compensation Allowance is not admissible.

41F. Exchange Compensation Allowance is not admissible to—

(*a*) persons temporarily appointed to the service of Government for a specified duty only, upon allowances definitely fixed for the particular case;

(*b*) persons serving under a contract in which their allowances are definitely fixed, which is not preliminary to employment in one of the regular services of the Government, and five years of service under which have not elapsed;

NOTE.—This clause relates only to persons appointed under a written contract in India. A European so appointed in England will be entitled to Exchange Compensation Allowance, if he is explicitly admitted to the allowance in the agreement.

(*c*) persons who are not members of any regular service, and who are employed in a professional capacity (such as lawyers, teachers, lecturers, clergymen, medical men), without being debarred from the private exercise of their professions;

(*d*) officers permitted to make family remittances through Government for any month in which the privilege is availed of;

(*e*) members of the Political Department of the Government of India except those substantive or officiating in the grades of Resident.

Exchange Compensation Allowance to Officers on Foreign Service.

41G. Exchange Compensation Allowance is not admissible under the rules in Appendix BB to Government officers in foreign service. The Government of India, however, so far as they are concerned, agree to the grant of the allowance under the restrictions and rules contained in the Appendix cited above. But as the allowance will not be payable by the Government of India, but by the foreign employer, the claim in each case must, subject to any conditions imposed by Statute or by trust provisions, be decided, in the case of foreign service of the first kind, by the orders of the employer to whom the officer's services have been lent, and in the case of service of the second and third kinds, with the consent of the controlling authority of the funds to which the allowance will be chargeable. If the foreign employer signifies his desire to give the allowance, the sanction of the Local Government by whom the officer's services were lent should be applied for, with a full statement of the grounds on which the officer considers himself to be eligible for the allowance. If the Local Government entertains any doubt whether the officer is eligible under the rules, the case should be submitted for the decision of the Government of India in the Finance Department.

NOTE.—Exchange Compensation Allowance payable by the foreign employer to an officer on foreign service while on privilege leave should be distributed according to the rule of proportions between the foreign employer and Government.

Allowances on which Exchange Compensation is admissible.

41H. Exchange Compensation Allowance is admissible as explained below:—

(*a*) *In the case of officers whose emoluments are governed by the Civil Service Regulations:*—On salary, as defined in Article 38 of those Regulations.

(*b*) *In the case of officers whose emoluments are governed by the Indian Army Regulations:*—On pay, Indian allowances and staff salary.

(*c*) *In the case of officers on leave:*—On leave allowances fixed in rupees and drawn in India or Ceylon.

(*d*) *In the case of an officer part of whose salary is fixed in sterling and converted into rupees at the rate of exchange fixed annually for the adjustment of transactions between England and India:*—The allowance is payable only in respect of the excess, if any, of the portion of his salary not fixed in sterling, over the portion fixed in sterling.

(*e*) *In the case of an officer serving in India who receives in sterling in England a wound or good service pension:*—An abatement should be made from the Exchange Compensation Allowance drawn in India, the amount of the abatement being equal to the amount by which the equivalent of the sterling pension at the *official* rate of exchange is exceeded by that at the rate fixed for the payment of Exchange Compensation.

(*f*) *In the case of employés of the Indo-European Telegraph Department, and other officers in Persia, who are entitled to Exchange Compensation Allowance:*—Such officers will be paid one-half of their salaries (subject to a limit of £1,000 a year) at the rate of exchange fixed between krans and pounds sterling, one rupee of salary being taken for this purpose as equivalent to 1*s.* 6*d.* and the other half at the rate of exchange fixed between krans and rupees. The rates of exchange, for the purposes of this article, between krans and rupees and between krans and pounds sterling will be fixed quarterly by the local authorities.

Amount admissible.

41J. The allowance is granted in the form of a percentage (at present 6¼ per cent.) on the officer's salary, subject to a maximum of ₹138-14-3 *per mensem*. A table for calculating the allowance is printed below for easy reference.

Salary.	Amount admissible.			Salary.	Amount admissible.			Salary.	Amount admissible.		
₹	₹	*a.*	*p.*	₹	₹	*a.*	*p.*	₹	₹	*a.*	*p.*
1	0	1	0	20	1	4	0	300	18	12	0
2	0	2	0	30	1	14	0	400	25	0	0
3	0	3	0	40	2	8	0	500	31	4	0
4	0	4	0	50	3	2	0	600	37	8	0
5	0	5	0	60	3	12	0	700	43	12	0
6	0	6	0	70	4	6	0	800	50	0	0
7	0	7	0	80	5	0	0	900	56	4	0
8	0	8	0	90	5	10	0	1,000	62	8	0
9	0	9	0	100	6	4	0	2,000	125	0	0
10	0	10	0	200	12	8	0	Maximum admissible.	138	14	3

Page 22, Article 41 H. (c)—

Substitute the following for this clause :—

(c) *In the case of officers on leave* :—On leave allowances fixed in rupees and drawn in India or Ceylon, on privilege leave allowances drawn at the Home treasury in the case of combined leave in England, and on the allowance drawn at the Home treasury in respect of leave other than privilege leave when it is the officer's last salary.

(12th List—3-1-16.)

Page 22, Article 41-J.—

Substitute the following for this article :—

41.-J.—The allowance is granted in the form of a percentage on the officer's salary. The percentage will be calculated by the Controller of Currency each quarter with reference to the market rate of exchange, and will be notified by him about the 15th day of the final month in the preceding quarter. The maximum admissible will also be fixed by that officer each quarter.

[*20th List—2-1 18.*]

How Calculated, Drawn and Charged.

41K. The allowance should be calculated on the whole gross salary for the month before deduction of Income Tax, Annuity, and Fund deductions. The percentage is not calculated on fractions of a rupee in the salary, fraction of 8 annas or more being taken as one rupee, and fractions of less than 8 annas being neglected. It should be drawn with pay on the same bill on which pay is drawn, being shown by a separate entry as follows:—

"Add for Exchange Compensation Allowance at $6\frac{1}{4}$ p.c."

It should be charged to the same head as pay, but in all entries in accounts it should be shown separately from pay.

Miscellaneous Points.

41L. The following rules should be noted:—

(*a*) Deputation allowance does not come within the definition of "salary" in Article 38 of the Civil Service Regulations, and consequently Exchange Compensation Allowance is not admissible in respect to it. But if in any case deputation allowance has been specially permitted to count as salary for calculating leave allowance, it may also count for Exchange Compensation Allowance.

NOTE.—The term "Deputation allowance" used above means an allowance payable in addition to salary under Article 81 of the Civil Service Regulations to an officer placed on special duty in India, and does not include the allowance under Article 85 of an officer deputed to Europe, which, when payable in India, carries Exchange Compensation Allowance, provided the officer concerned is otherwise entitled to it.

(*b*) The allowance is admissible on the extra staff pay and allowances enumerated in the statement which accompanied Government of India, Foreign Department, No. 903-Ex., dated the 8th February 1898.

(*c*) The allowance is not admissible on subsistence allowance drawn under Article 193 of the Civil Service Regulations, for the period of suspension pending the enquiry into alleged misconduct.

(*d*) When an officer claims exemption from Income Tax with reference to horse allowance or tentage included in his salary, he cannot draw Exchange Compensation Allowance on such allowances.

(*e*) The maximum limit of salary on which Exchange Compensation Allowance can be drawn is a monthly one; that is, if during any month the allowances on which Exchange Compensation Allowance is admissible exceed the maximum limit, Exchange Compensation Allowance for that month should be restricted to the maximum.

(*f*) When salary is drawn for a portion of a month, Exchange Compensation Allowance is admissible only for that portion of the month, and the maximum monthly limit, if applicable, must be proportionately reduced.

(*g*) The allowance should not be treated as salary for the purpose of calculating table money recoverable under Article 1022 of the Civil Service Regulations from an officer travelling by sea.

(*h*) The allowance is chargeable with Income Tax and also with Civil Fund deductions, and, except in the case of Madras and Bombay Civil Servants who entered the service or passed the final examination before 1876, with annuity deductions, but the allowance admissible on the minimum furlough allowance is exempt from annuity deductions.

Page 25, Article 44.—

Insert the following as Rule 3 under this Article :—

3. When the endorsement on a bill is incomplete or irregular, the procedure laid down in Article 9 (*k*) should be followed. When payment is made by cheque it is not correct to disregard the endorsement and issue a cheque in favour of the drawer.

[*19th List—1-10-17.*]

Page 25, Chapter 4—

Insert the following in the heading after "Rewa
proficiency";— "Place of payment.....50 A".

(12th List—3-1-1